

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 4/12/2016	(3) CONTACT/PHONE Matt Leal, Planner II / (805) 781-5113	
(4) SUBJECT Request to approve (1) the 2016 Action Plan; (2) the 2016 projects for funding under the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and the Emergency Solutions Grant (ESG) Programs; and (3) FY 2016-17 General Fund Support (GFS) allocations for the 2016 homeless related programs; and 4) proposed amendment to the 2014 Action Plan. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Adopt the attached resolution approving and authorizing submittal of the 2016 Action Plan to the U.S. Department of Housing and Urban Development (Attachment 1); 2. Approve the 2016 Action Plan (Attachment 2); 3. Approve the 2016 projects for funding under the CDBG, HOME and ESG programs (Attachment 3); 4. Approve the projects and allocations of 2016 General Fund Support subject to Fiscal Year 2016-17 budget approval and adoption (Attachment 3); 5. And amend the 2014 Action Plan to allocate HOME funds to create a new project in 2014 called "Tenant Based Rental Assistance" by the Housing Authority of the City of San Luis Obispo. 			
(6) FUNDING SOURCE(S) CDBG, HOME, ESG and GFS	(7) CURRENT YEAR FINANCIAL IMPACT \$2.5 million in Grant Funds, \$180,000 in GFS	(8) ANNUAL FINANCIAL IMPACT \$2.5 million in Grant Funds and \$180,000 in GFS	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Hearing (Time Est. <u>75 min</u>) <input type="checkbox"/> Board Business (Time Est. <u> </u>)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: <u>10/6/2015 and 2/25/2014</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Matt Leal, Planner II

VIA: Trevor Keith, Deputy Director, Policies and Programs

DATE: 4/12/2016

SUBJECT: Request to approve (1) the 2016 Action Plan; (2) the 2016 projects for funding under the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and the Emergency Solutions Grant (ESG) Programs; and (3) FY 16-2017 General Fund Support (GFS) allocations for the 2016 homeless related programs; and 4) proposed amendment to the 2014 Action Plan. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Adopt the attached resolution approving and authorizing submittal of the 2016 Action Plan to the U.S. Department of Housing and Urban Development (Attachment 1);
2. Approve the 2016 Action Plan (Attachment 2);
3. Approve the 2016 projects for funding under the CDBG, HOME and ESG programs (Attachment 3);
4. Approve the projects and allocations of 2016 General Fund Support subject to Fiscal Year 2016-17 budget approval and adoption (Attachment 3);
5. And amend the 2014 Action Plan to allocate HOME funds to create a new project in 2014 called "Tenant Based Rental Assistance" by the Housing Authority of the City of San Luis Obispo.

DISCUSSION

The County of San Luis Obispo administers the following grant programs under the United States Department of Housing and Urban Development (HUD):

- **Community Development Block Grant (CDBG)** - The CDBG program provides local governments with funds to address a variety of community development needs as long as the funds are used to: 1) benefit low and moderate income persons, 2) aid in the prevention of slums or blight, and 3) meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.
- **HOME Investment Partnerships Program (HOME)** - HOME provides formula grants that communities often use in partnership with local non-profit organizations to fund affordable housing related activities. This includes developing, purchasing, or rehabilitating affordable housing for rent or homeownership, and providing direct down payment or rental assistance to low-income people.
- **Emergency Solutions Grant Program (ESG)** - The ESG program provides funding to assist persons who are homeless or at imminent risk of becoming homeless. Eligible uses of ESG funding include outreach to homeless persons, emergency shelter services, homelessness prevention and rapid re-housing, data collection through the Homeless Management Information System (HMIS) and general administration of the ESG program.

HUD funds are administered as part of the Urban County of San Luis Obispo, which includes the County of San Luis

Obispo and the following cities:

- Arroyo Grande
- Atascadero
- Paso Robles
- Pismo Beach
- Morro Bay
- San Luis Obispo

The Urban County of San Luis Obispo, which includes the cities listed above, must prepare and submit to HUD an action plan annually in order to receive federal funds under the CDBG, HOME, and ESG programs. The 2016 Action Plan which is the second Action Plan of the 2015-2019 Consolidated Plan (a five year strategic plan for federal funds) includes a list of projects recommended for the 2016 program year. This report consists of the following sections:

- 1) Summary of Community Participation Process
- 2) The 2016 Action Plan
- 3) Summary of comments from Public Review period on Draft funding recommendations
- 4) The County General Fund Support (GFS) for homeless services programs
- 5) Amendment to the 2014 Action Plan

1. Summary of Community Participation Process

The community participation process reconfirmed the unmet community needs identified in the Consolidated Plan including; affordable housing, gaps in public services and facilities for the 2016 Action Plan. During the development of the plan, the Urban County undertook the following steps regarding public participation and consultation:

- Offered an online Needs Assessment Survey where 57 persons responded. Participants were 58 percent private community members, 38 percent nonprofit organizations, two (2) percent for profit organizations, and two (2) percent units of local government. In addition to the online survey, the Needs Assessment survey was also distributed to local Advisory Councils, nonprofit organizations, and community advisory bodies. Survey participants included community housing development organizations, community services providers, County Commissions on Aging and Senior Citizens, Community Service Districts, and local Advisory Councils, among others. The survey included selecting needs priority levels for special needs populations, community facilities, infrastructure, special needs, community services, economic development, and neighborhood services.
- Hosted two public needs workshops in September 2015 where a total of 23 persons participated. The first workshop was held in the North County at the Atascadero Public Library on September 8, 2015, and the second workshop was held in the South County at the Nipomo Public Library on September 15, 2015.
- Held a public hearing on September 2, 2015, at the City of San Luis Obispo Humans Relations Commission to identify needs at the public hearing session.
- Held a public hearing on October 6, 2015, at the County of San Luis Obispo to receive public testimony on community needs at the public hearing session.
- Hosted two public draft plan review workshops in February 2016 where a total of 16 persons participated. The first workshop was held in the South County at the Nipomo Public Library on February 10, 2016, and the second workshop was held in the North County at the Atascadero Public Library on February 17, 2016.

a) Summary of public comments

The following is a summary of housing and community development needs as identified at the two September 2015 community workshops, the two public hearings, and the Needs Assessment Survey:

Affordable Housing:

- The need for affordable rental housing units for extremely low and low income families as well as affordable housing for the senior population.
- Support for continued financial assistance to low income homeowners for the installation of sewer laterals in the unincorporated community of Los Osos.

Homelessness Service:

- Support for continued financial assistance to homeless shelters and rapid re-housing programs.
- The need for case management services as a key component to reducing homelessness in the county.

Public Services:

- The need for funding mental health and homeless related services.
- Support for financial assistance to detox facilities and related services.

Economic Development:

- The need for funding job training programs to help with creating and retaining jobs for low income individuals.
- The need to support economic development programs that will help promote job creation and retention.

Public Facilities:

- The need for street and sidewalk accessibility improvements.
- The need for health care facilities and child care centers.

b) Overall Summary

The overall goal of the Urban County's community development programs is to develop viable communities by providing affordable housing, creating a suitable living environment, and expanding economic opportunities. The 2016 Action Plan enables the Urban County of San Luis Obispo to examine the housing and community development needs, and to propose projects addressing these needs in order to improve the quality of life for low- and moderate-income residents.

2. The 2016 Action Plan

The five-year 2015-2019 Consolidated Plan guides the formation of annual Action Plans. The 2016 Action Plan is the second Action Plan of the 2015-2019 Consolidated Plan and includes a list of specific projects with corresponding funding allocations. Refer to Attachment 2 for the 2016 Action Plan. The projects recommended for funding will help address community needs identified in the 2015-2019 Consolidated Plan (Attachment 4). Refer to Attachment 3 to view a list of specific projects selected for HUD funds.

Per the Board-approved Community Participation Plan, the County is the lead agency in preparing the 2016 Action Plan for the Urban County consortium. The Action Plan preparation process consists of:

- **Outreach.** Conducting two sets of public workshops and public hearings as well as a "needs assessment" survey.
- **Technical assistance.** Providing technical assistance to the public, applicants and participating jurisdictions.
- **Request for Proposals (RFP).** Soliciting request for proposals, reviewing and ranking of grant applications, and publishing the draft plan for a 30-day public review.

County staff selected projects to receive 2016 HUD grant funds based on the following three guidelines.

1. The project addresses a high priority need identified in the 2015-2019 Consolidated Plan
2. The project meets the Board-approved seven criteria (See Attachment 6 for the criteria)
3. The project fully expended prior year federal funds

Additionally, staff considered HUD's direction to make larger awards to fewer projects that result in greater benefits to the community. The Homeless Services Oversight Council (HSOC) advisory body also recommended allocations for homeless services programs under the CDBG and ESG programs.

The purpose of today's hearing is to consider public input and to approve funding for projects under the CDBG, HOME, and ESG programs.

Table 1: 2016 HUD Grant Allocations	
HUD Grant Programs	2016 Grant Allocations
Community Development Block Grant Program (CDBG)	\$1,667,918
HOME Investment Partnerships Program (HOME)	\$678,610
Emergency Solutions Grant Program (ESG)	\$148,084
Total HUD Grant Funds	\$2,494,612

CDBG Funds

The CDBG grant is distributed among the six cities and the County based on population size, poverty rate, and overcrowded housing. Table-2 shows the CDBG allocations for all of the participating jurisdictions. According to the requirements of the CDBG program, a jurisdiction can use up to 20% of its CDBG allocation to administer the CDBG program. This means that each participating City and the County will spend 20% of their share of CDBG allocations for administration. In addition to the 20% administration rule, the County can retain a portion of the CDBG funds that each City uses for administration pursuant to the current cooperative agreement between the County and the participating cities.

Table 2: Total 2016 CDBG funds by Participating Jurisdictions	
Jurisdiction	2016 CDBG Allocations
Arroyo Grande	\$66,610
Atascadero	\$140,382
Morro Bay	\$68,531
Paso Robles	\$166,684
Pismo Beach	\$32,647
San Luis Obispo	\$401,282
Unincorporated County	\$791,782*
Total 2016 CDBG Funds	\$1,667,918

*Amount includes cities administration portion retained by the County

The County received a total of twelve applications under the CDBG program. Staff is recommending four of the twelve applications for funding (Attachment 3). These applications include one affordable housing project and three public services projects related to homeless services. Each application was reviewed using the above mentioned guidelines. The HSOC advisory body reviewed the County CDBG public services applications and made a funding recommendation for three homeless shelter projects. Following the HSOC funding recommendation, the HUD final CDBG allocation increased from what was previously identified in the Draft recommendation. Additionally, since the Urban County can fund up to 15% public services under CDBG and three of the Cities did not fund projects for public services, the County is able to utilize that capacity with its own funds to reach the 15% countywide public services allocation. Due to that capacity captured, the Planning and Building Department determined that the most equitable distribution would be to increase project funding for the three public services already receiving a favorable recommendation, up to an equal percentage of the original County CDBG application request. The recommended projects not only meet a strong community need, but also are considered high priority projects based on the 2015-2019 Consolidated Plan.

HOME Funds

The County received a total of five eligible grant applications under the HOME program including four affordable housing projects and one Tenant-Based Rental Assistance (TBRA) program application. County staff recommends four out of the five applications to be funded with HOME funds. Two of the affordable housing projects combined will provide 76 new affordable housing rental units for very low to moderate income households. The other affordable housing project will rehabilitate and preserve 39 existing senior housing units in Paso Robles. Finally, TBRA is an important resource in housing low income households. See Attachment 3 for the affordable housing projects recommended for the 2016 HOME funds and freed up entitlement funds from 2014.

ESG funds

The County received a total of five eligible applications under the 2016 ESG program. The HSOC advisory body reviewed the ESG applications and recommended three projects to be funded. Following HSOC's recommendation, HUD announced the final ESG allocations for the County. The final ESG allocations for the County was an increased \$2,999 above the draft recommendations. The County determined that based on the nominal amount of the increase, the projects, already recommended for funding, would each receive an equally distributed amount of \$924 per program (the total remainder of \$225 will be allocated toward County staff administration). View Attachment 3 for a detailed list of projects recommended for ESG funds.

3. Summary of Public Comments on Draft recommendations

County staff received comments from the members of the public and various advisory groups including the Supportive Housing Consortium during the 30-day public review of the draft 2016 Action Plan. The comments received during public workshops, meetings and email indicated support for the following programs:

1. Emergency and transitional shelter and housing, homelessness prevention and services.
2. Development and preservation of affordable housing for low and very-low income persons.
3. Support job creation programs for low and very-low income persons
4. Services for seniors and people with disabilities.
5. Continued support for the Tenant-Based Rental Assistance (TBRA) program.

The majority of comments were directed towards staff's draft HOME recommendations. From the information contained in the applications submitted in October, 2015 staff prepared the draft funding recommendation in Table 3. During the 30-day review period of the draft 2016 Action Plan in February 2016, staff was made aware of substantial updates to the projects listed below. Given the situation of great demand on limited funds, County staff hosted a meeting of the most competitive applicants on February 26, 2016. The goals of the meeting were to hear the latest updates of the projects and to facilitate discussion on basic funding levels needed to still have a viable project. It was identified that housing advocates must work together to maximize the use of limited federal dollars to achieve the maximum number of affordable housing opportunities in the County.

The HOME program allocation increased from our draft estimate of \$605,955 to the actual 2016 funding amount of \$678,610. In addition to the \$678,610 the County will allocate \$58,324 of freed up entitlement funds from 2014. These freed up entitlement funds will be used to help fund 2016 projects.

From staff's draft HOME recommendations there has been one major change in the final recommendations due to a significant update of the Iron Works Apartments project. Iron Works has recently been designated by HUD to be located in a "Difficult to Develop Area" for receiving Tax Credits. It went from a competitive uncertain application for 9% Tax Credits to a non-competitive 4% Tax Credit. This one change moved this already highly ranked project to the top of the list due to this amendment in the tax credits. Although preserving existing senior housing with Los Robles Terrace is an important project, creating new affordable housing units is an identified high priority of the Consolidated Plan. Understanding the County's challenge, Los Robles Terrace volunteered to reduce their draft allocation to \$100,000, which is the minimum amount to have a viable project.

Table 3: Project Name 2016	Draft Funding Recommendations	Final Recommendations
Rolling Hills Apartments Phase II	\$200,000	\$200,000
Iron Works Apartments	\$0	\$310,748
Tenant Based Rental Assistance	\$45,359	\$0 (See 2014 below)
Los Robles Terrace - Senior Housing	\$300,000	\$100,000
Admin - County and TBRA	\$60,595	\$67,861
Total 2016 HOME Funds	\$605,955	\$678,610
Allocation of 2014 Action Plan Funds		
Tenant Based Rental Assistance		\$58,324
Total 2014 HOME Funds		\$58,324

4. The County General Fund Support (GFS) for Homeless Services Programs

Historically, the County has allocated \$180,000 in General Fund Support to homeless services providers that operate emergency shelter programs. Annual allocations are determined through a competitive process. For Fiscal Year 2016-17, the County received eight eligible GFS applications.

After receiving applications for the County's Fiscal Year 2016-17 GFS as well as applications for CDBG and ESG funds for homeless services programs, a three person ad-hoc subcommittee of the Homeless Services Oversight Council (HSOC) met to discuss the applications and recommend funding allocations to the full HSOC. The subcommittee was composed of three HSOC members including two nonprofit providers and an interested community member. The full HSOC advisory body concurred with the subcommittee's recommendation at its January 20, 2016 meeting. The HSOC recommended allocation of 2016 County General Fund support is shown in Attachment 3. The recommended General Fund Support allocations are subject to the County FY 2016-17 budget approval in June. The HSOC recommendation also included authorization for Planning staff to adjust the allocations proportionately after the final HUD grant allocations and city CDBG and ESG allocations were released in February and March to ensure that all emergency shelter programs received the same overall decrease in funding compared to FY 2016-17 when considering multiple sources (i.e. ESG, CDBG, and General Fund support). While GFS allocations remain unchanged since the HSOC made its recommendations, the Planning and Building Department recommended additional CDBG and ESG funds to homeless programs after the HSOC made its recommendations.

In addition to HSOC's GFS project recommendations for the \$180,000, HSOC recommended obtaining community support for increased County and City GFS for emergency shelter programs to fund existing programs and expand service for the County. HSOC was unanimous in their preference to allocate additional GFS, should it become available, to El Camino Homeless Organization's (ECHO) expanded services and 5Cities Homeless Coalition's (5CHC) detoxification program (Attachment 5). HSOC also supported a recommendation to increase annual GFS with a CPI adjustment as program costs continue to rise. GFS would need to be increased by \$70,000 to cover the additional requests.

ECHO originally requested \$71,000; current staff recommendation for ECHO is \$30,980 (\$40,020 less than requested). Additional GFS could supplement ECHO's allocation to allow for the organization to implement needed expanded services in the North County related to the additional beds added over the last couple of years which increased the number of clients served.

5CHC's detoxification program request was for \$18,000 in GFS; there is no current funding recommendation for the 5CHC project as there is not enough funding to sustain recommended projects, although it was expressed by HSOC that a detoxification program would meet a considerable need in the County. Additional GFS would support funding for this project which would secure access to 8 beds and services dedicated to homeless individuals in need of detoxification from alcohol and drugs in partnership with Good Samaritan Shelter.

5. Amendment to the 2014 Action Plan

In Fiscal year 14-15 the County recaptured \$58,324 of HOME funds through the First Time Homebuyer Program. Staff recommends the allocation of the Program Year 2014 freed up entitlement funds to the Tenant Based Rental Assistance Program by the Housing Authority San Luis Obispo.

OTHER AGENCY INVOLVEMENT/IMPACT

County staff consulted with the participating cities, HSOC, Department of Social Services, Public Works, and non-profit agencies to identify needs and evaluate potential projects. Staff also provided technical assistance to the cities to facilitate their decision on the grant application process. County Counsel reviewed and approved the attached resolution as to form and legal effect.

FINANCIAL CONSIDERATIONS

The total 2016 CDBG, HOME and ESG funds is \$2.5 million, of which \$338,695 is used for County administrative purposes.

The total General Fund support allocation is \$180,000 subject to the budget approvals in June, 2016.

The amount of recaptured funds for HOME is \$58,324, of which can be used to create a new project in 2016 called "Tenant Based Rental Assistance" by the Housing Authority San Luis Obispo.

RESULTS

The purpose of this hearing is to secure and allocate HUD grant funds that will be invested in the community-based and affordable housing projects benefiting low income households and communities over the years. The HUD funded community-based projects will be in keeping with the County's communitywide result, that is to strive to keep our economy strong and viable and assure that all share in this economic prosperity. Over the last decade, the County used HUD grant funds to help finance several affordable housing projects resulting in the construction of approximately 670 affordable housing units.

ATTACHMENTS

1. Attachment 1 - Resolution
2. Attachment 2 - The 2016 Action Plan
3. Attachment 3 - 2016 Actual Final Allocations
4. Attachment 4 - The Consolidated Plan Priority Needs
5. Attachment 5 - HSOC Staff Report and Minutes Jan 20, 2016
6. Attachment 6 - Rating Criteria